

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 EUR-12 FTC-01 AID-05 CIAE-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 /079 W

----- 048966

R 271235Z JAN 76

FM AMEMBASSY LA PAZ

TO USDOC WASHDC

INFO SECSTATE WASHDC 9456

UNCLAS LA PAZ 745

E.O. 11652: N/A

TAGS: BEXP, BL

SUBJECT: ANDEAN PACT PETROCHEMICAL CONCESSIONS TO BOLIVIA

REF: (A) 75 LA PL 5138; (B) 74 LA PAZ 3381; (C) 75 LA PAZ 8181;

(D) 75 LA PAZ 8260; (E) 75 STATE 301080

1. ANDEAN PACT DECISION 91 OF AUGUST 29, 1975 ASSIGNS BOLIVIA MAJOR PETROCHEMICAL CONCESSIONS, EXPECTED TO RESULT IN SOME US\$ 500 MILLION IN PETROCHEMICAL INDUSTRIES INVESTMENT IN COMING YEARS, MOSTLY THROUGH JOINT VENTURES BETWEEN BOLIVIA'S NATIONAL PETROLEUM CORPORATION (YPFB) AND FOREIGN FIRMS. YPFB PLANS TO PERFORM FEASIBILITY STUDIES ON THE ENTIRE LIST OF DECISION 91 PRODUCTS, HAS ALREADY SIGNED A CONTRACT WITH UNIVERSAL OIL PRODUCTS TO PERFORM A FEASIBILITY STUDY FOR A US\$32 MILLION AROMATICS PLANT, AND IS NEGOTIATING WITH CARL GORDON INDUSTRIES ON ESTABLISHMENT OF A POLYSTYRENE PLANT AND WITH LUBRISOL ON A LUBRICANT ADDITIVE PLANT.

2. AFTER FIVE YEARS OF NEGOTIATIONS, YPFB HAS ALSO ENTERED INTO A JOINT VENTURE WITH YACIMIENTOS PETROLIFEROS DE ARGENTINA AND CORPORACION BOLIVIANA DE FOMENTO TO CONSTRUCT A US\$20 MILLION PESTICIDES PLANT UNDER THE NAME AGROQUIMICA LATINO-AMERICA S.A. (AQUILA). HOWEVER, AQUILA CLAIMS THAT THE MAJOR INTERNATIONAL FIRMS WHICH CONTROL MODERN PESTICIDES PRODUCTION

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TECHNOLOGY ARE UNWILLING TO MAKE THIS TECHNOLOGY AVAILABLE TO

AQUILA. THE PLANNED PLANT WOULD MANUFACTURE METHYL-ETHYL PARATHION (6,000 TONS YEARLY) AND MELATHION (2,500 TONS YEARLY) AND SELL THESE PRODUCTS IN BOLIVIA, ARGENTINA AND ANDEAN NATIONS AS BOLIVIA HAS LAFTA ASSIGNMENT NO. 6 WHICH IN 1972 THE JUNTA OF ANCOM DECIDED TO RESPECT, THUS BRINING IN ALL SIX ANDEAN COUNTRIES, TWO OF WHICH HAD NOT SUBSCRIBED TO LAFTA NO. 6.

3. ING. MATTONI TOLD MINATT THAT POLISH, RUSSIAN AND ITALIAN COMPANIES ARE INTERESTED IN THE PROJECT. SEVEN-COUNTRY MARKET WILL BE LOST TO U.S. PESTICIDE EXPORTS REGARDLESS OF WHETHER US FIRMS SUPPLY NEEDED TECHNOLOGY SINCE AQUILA IS DETERMINED TO GO AHEAD WITH PROJECT. THEREFORE, PARTICIPATION OF U.S. FIRMS IN THIS PROJECT WOULD GIVE SOME BUSINESS TO U.S. AQUILA WILL NOT EXPORT BEYOND SEVEN-COUNTRY MARKET AND INDEED WILL PROBABLY HAVE TO IMPORT SOME PESTICIDES TO MEET GROWING DEMAND.

4. AQUILA HAS TRIED UNSUCCESSFULLY TO PURCHASE PESTICIDES TECHNOLOGY FROM BAYER (GERMANY), MONSANTO, STOUFFER AND CYANAMID. ALSO, U.S. DESIGN AND CONSTRUCTION FIRMS HAVE ALSO APPROACHED ABOVE FIRMS TO OBTAIN TECHNOLOGY AND HAVE MET WITH FAILURE. AQUILA'S GENERAL MANAGER, ING. RUBEN MALTONI AND ING. JORGE ARAMAYO, YPFB'S PETROCHEMICAL DIVISION GENERAL MANAGER (WHO IS ALSO A DIRECTOR OF AQUILA) ADVISED COMATT THAT THEY ARE HIGHLY INTERESTED IN PURCHASING THIS TECHNOLOGY FROM MONSANTO BECUASE OF MONSANTO'S WIDE RANGE OF PRODUCTS. MONSANTO WOULD NOT BE ABLE TO ENTER INTO VENTURE AS PARTNER IN PESTICIDE PLANT, BUT AQUILA HAS FUTURE PLANS TO ESTABLISH OTHER PLANTS TO PRODUCE ORGANIC PHOSPHATE PRODUCTS AND MONSANTO, IF INTERESTED, MIGHT BE ABLE TO ENTER THESE PLANTS AS A PARTNER. MONSANTO OR OTHER U.S. FIRM SELLING THIS PESTICIDE TECHNOLOGY WILL PROVIDE A GOOD CATALYST FOR BOLIVIA TO FURTHER DEVELOP THE PETROCHEMICAL INDUSTRY. THIS SALE OF PESTICIDE TECHNOLOGY BY A U.S. COMPANY SHOULD LEAD TO OTHER U.S. FIRMS ESTABLISHING OTHER PETROCHEMICAL JOINT VENTURES WITH YPFB AS THEY WILL BE ABLE TO FOCUS ON AN EXISTING U.S. BOLIVIAN COMMERCIAL AGREEMENT. AQUILA INVITED FOLLOWING US FIRMS TO DESIGN AND CONSTRUCT THE PLANT AND PROVIDE PESTICIDE TECHNOLOGY:

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CHICAGO, ILLINOIS 60611

5. ACTION REQUESTED: THE EMBASSY BELIEVES THERE IS A MAJOR
OPPORTUNITY FOR U.S. PETROCHEMICAL FIRMS TO ENTER ANDEAN MARKET
BY FORMING JOINT VENTURES WITH YPFB. ONE POSSIBLE WAY FOR A
US FIRM TO OBTAIN A DOMINANT ROLE IN BOLIVIA'S PETROCHEMICAL
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INDUSTRY DEVELOPMENT WOULD BE AS PART OF A PACKAGE WHICH WOULD
INCLUDE SALE OF PESTICIDE TECHNOLOGY TO AQUILA. EMBASSY RE-
QUESTS THAT USDOC AT HIGHEST LEVEL POSSIBLE DISCUSS AND EN-
COURAGE SUCH FIRMS AS MONSANTO TO CONSIDER HOLDING DISCUSSIONS
WITH YPFB TO SELL PESTICIDE TECHNOLOGY AND POSSIBLY COMBINE
THIS OPPORTUNITY TO FORM JOINT VENTURE WITH YPFB TO PRODUCE
OTHER PETROCHEMICAL PRODUCTS. THE EMBASSY WILL SUBMIT SHORTLY
A DETAILED SURVEY OF PLANNED PETROCHEMICAL PROJECTS.

6. YPFB HAS ALSO REQUESTED EMBASSY ASSISTANCE IN ORGANIZING A
PETROCHEMICALS SEMINAR IN THE U.S. ALONG LINES SIMILAR TO THE
GOB/BANK OF BOSTON INVESTMENT SEMINAR HELD IN NEW YORK IN
SEPTEMBER 1975. SUCH A SEMINAR WOULD BE DESIGNED TO FAMILIAR-
IZE U.S. FIRMS WITH POTENTIAL FOR PETROCHEMICAL INVESTMENTS
AND SALE OF U.S. ENGINEERING SERVICES AND PETROCHEMICAL EQUIP-

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LAPAZ00745
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760031-0006
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760119/aaaaapuy.tel
Line Count: 171
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 LA PAZ 3381, 76 LA PAZ 8181
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUN 2004 by barnescd>; APPROVED <26 JAN 2005 by RowellE0>
Review Markings:

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Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANDEAN PACT PETROCHEMICAL CONCESSIONS TO BOLIVIA
TAGS: BEXP, BL
To: COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006